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**THESIS**

**DEVELOPING WORLD-CLASS CUSTOMER SERVICE AT  
NAVY FIELD CONTRACTING ACTIVITIES: AN  
ASSESSMENT OF THE FISC SAN DIEGO REGIONAL  
CONTRACTS DEPARTMENT**

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June, 1997

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FISC SAN DIEGO REGIONAL CONTRACTS DEPARTMENT**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN MANAGEMENT**

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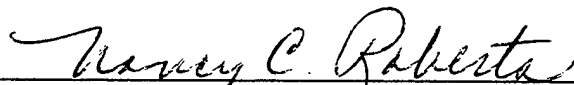
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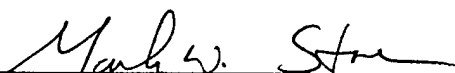


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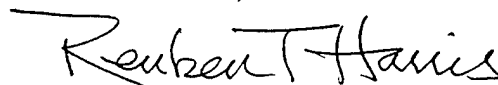
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## **ABSTRACT**

This thesis assesses the customer service ability of the FISC San Diego Regional Contracts Department. Utilizing both archival research and interviews, a service quality benchmark is determined and then applied to FISC San Diego Regional Contracts Department to assess service ability and identify areas for possible improvement. This assessment process highlights the recent emphasis on improved service quality both in the Federal Government and the private sector. The thesis defines world-class customer service and then describes various aspects of service quality including the customer's perspective on service, how service is delivered, how to effectively communicate with the customer and how organizations can implement change to enhance their service quality.



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## **I. INTRODUCTION**

### **A. BACKGROUND**

Successful firms in today's service economy are finding that superior customer service is a lucrative way to gain market share, especially in services that are relatively indistinguishable among competitors. Outstanding service benefits all concerned, including the customer, the provider and stockholders, to name a few. Companies, such as Federal Express, Nordstrom, Disney, Saturn, and USAA, are finding that superior customer service is a winning competitive strategy. [Ref. 1: p. 2]

The success of outstanding service companies has attracted the interest of the public sector. The Federal Government in recent years has taken bold steps to redefine the way it conducts business. The emphasis is on reducing bureaucracy, cutting red tape and making executive agencies more accountable to the customers they serve. The Congress started the process with the drafting of the Government Performance and Results Act of 1993, which requires executive agencies to focus on achieving performance goals.[Ref. 2] Based on the recommendations of the Vice President's National Performance Review [Ref. 3], the President issued Executive order 12862 which requires executive agencies to focus on the needs of their customers and develop measurable service standards.[Ref. 4]

This thesis assesses customer service performance of the Fleet and Industrial Supply Center (FISC) San Diego's Regional Contracts Department. This organization is responsible for all Navy field contracting within the Southwestern United States. Utilizing a benchmarking process, the study examines the various aspects of service quality, the organization's service performance and provides recommendations for improvement.

## **B. RESEARCH QUESTIONS**

The primary research questions are as follows:

1. How does the FISC San Diego Regional Contracts Department compare to world-class service providers?
2. What can the FISC San Diego Regional Contracts Department do to enhance service quality?

The following are the subsidiary research questions:

1. What is world-class customer service?
2. What do customers value the most in customer service?
3. How should an organization structure itself to deliver outstanding service?
4. What are the common service quality traits and characteristics of world-class customer service organizations?

## **C. PURPOSE AND IMPORTANCE**

The purpose of this thesis is to help improve the customer service performance of the FISC San Diego Regional Contracts Department. The study provides specific information regarding the characteristics of service quality and details how organizations such as the Regional Contracts Department can organize to deliver improved customer service.

This research effort is important because it assists FISC San Diego and the Naval Supply Systems Command with their goal of providing customer focused contracting and “one touch” supply. This research will also assist with meeting the mandate of Executive Order 12862.

## **D. SCOPE OF THE THESIS**

The scope of this thesis is limited to an assessment of the FISC San Diego Regional Contracts Department. The thesis does not analyze the customer service effectiveness of

the entire FISC San Diego organization. A comprehensive study of the entire FISC San Diego organization exceeds the resources of this researcher. This thesis is also limited to two primary sources of information, a review of literature and interviews. The thesis did not include a survey of customers, instead, the research effort focused on the overarching, common characteristics of service quality.

## **E. RESEARCH METHODOLOGY**

This research effort consists of an assessment of service quality at the FISC San Diego Regional Contracts Department. The assessment is based on a benchmark of "key service quality characteristics" derived from archival research and interviews of world-class customer service providers. Interviews and observations were collected during a site visit of FISC San Diego. These data are then compared to the service quality benchmark.

## **F. CHAPTERS AND CONTENTS**

Chapter II provides an understanding of service quality, describes how service is delivered, discusses methods to communicate with customers and explains the key role customers play in defining service quality. Chapter II also includes interviews with three acknowledged world-class service companies. This information supplements the archival data from the chapter. Chapter III describes how an organization can structure itself to deliver outstanding customer service and provides a plan of action to get started on improving service quality.

Armed with archival and interview data from Chapters II and III, the thesis then develops a service quality benchmark in Chapter IV. The benchmark is organized into a group of key service quality characteristics. Chapter V details the assessment methodology, assumptions and limitations. Chapter VI provides an assessment of the service capability of the Regional Contracts Department.

Chapter VII concludes the study with a summary statement regarding the significant findings relating to the research questions. The chapter also provides recommendations for improvement and follow-on research.

## II. WORLD-CLASS CUSTOMER SERVICE

### A. THE NATURE OF CUSTOMER SERVICE

#### 1. Defining World-Class Customer Service

Unlike the quality of a tangible good, service quality can be difficult to precisely define. A manufactured product is assumed to be of good quality if it meets established criteria such as performance or physical characteristics. Services differ substantially from tangible goods in at least three significant ways. [Ref. 1: p.15] First, services are *intangible*. A service is usually a performance by a human being. The consumer usually cannot inspect the service prior to delivery and once this interaction is completed, it is gone forever. Second, services are *heterogeneous*. Service quality can vary significantly from customer to customer or from provider to provider. Service quality can even vary from day to day. Third, the production and consumption of most services are *inseparable*. Unlike a manufactured item, service cannot be stored for future use to serve as a buffer during shifts in consumption patterns.

The only criterion that matters when evaluating service quality is defined by the customer, all other criteria are irrelevant. [Ref. 1: p.16] Each customer approaches his/her evaluation of service quality differently than the next customer. Each customer harbors certain *expectations* of service quality and bases his/her evaluation on these expectations. World-class customer service organizations understand the importance of exceeding customer expectations. World-class customer service can be defined as *consistently exceeding the expectations of customers in the delivery of service*. [Ref. 1: p.19]

## **2. The Dimensions of Service Quality**

Zeithaml, Parasuraman and Berry (1990) conducted a landmark study to measure the needs and desires of customers. The study consisted of focus-group interviews with 12 different groups representing a broad sample of service firms throughout the United States.

The researchers concluded from these interviews that the needs of customers can be defined by five service *dimensions*. [Ref. 1: p. 20] These are (in priority):

1. Reliability: The ability to perform the promised service dependably and accurately.
2. Responsiveness: The willingness to help customers and provide prompt service.
3. Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence.
4. Empathy: The caring and individualized attention a firm provides its customers.
5. Tangibles: The appearance of physical facilities, equipment, personnel, and communication materials.

The ability of an organization to satisfy customers depends directly on its ability to provide services that reflect these service dimensions. Organizations with degraded service quality have some measure of difference between what customers expect and what is actually delivered. The difficult challenge facing most service organizations is how to accurately and economically determine customer expectations.

## **3. Methods of Service Delivery**

Gutek (1995) outlines a fundamental change in service delivery resulting from today's service "revolution". In the decades prior to the 1980's and 1990's, services were primarily delivered in the context of *relationships*. For example, a family might have one doctor for years, building a relationship with the physician. The development of a close relationship was central to ensuring quality service.

The service revolution changed this traditional medium for service delivery for two reasons. [Ref. 5: pp. 2-3] The first is due to the sheer volume of services available today.

Over 70 percent of workers in the United States, Canada, and Britain work in services, as do over 50 percent of workers in Japan, West Germany, France and Italy. [Ref. 5: p. 3] Correspondingly, consumers spend a greater portion of their income on services. Estimates are that the average household expends 45 percent of its income on services. [Ref. 5: p. 3]

This increased volume of services requires quick and efficient methods of service delivery to reach the maximum amount of customers. Relationships take a significant investment in time and resources and therefore are not always the most efficient method to deliver service.

The second reason is the change in the way services are provided. Services are no longer primarily provided by practitioners (e.g. doctors), instead they are delivered by organizations or partnerships of practitioners. [Ref. 5: p. 2] For example, today many physicians are members of HMOs or PPOs. This represents the mass marketing of *encounter* services. The encounter is usually brief, scripted and impersonal.

Relationship service providers seek customers that they intend to serve for a long duration. The customer develops trust of the service provider and reserves its business for them. An interdependence between the provider and the customer is therefore the essence of the relationship approach. Both parties are willing to work on nurturing the relationship, and building loyalty towards each other, the result of which is an accumulated knowledge of customer needs. This knowledge results in improved efficiency and effectiveness during subsequent service incidents. Ultimately services are tailored to the specific needs of the customer because of the extra time and attention spent with the customer.

Service as an encounter is analogous to the mass production of manufactured goods. Encounter systems can deliver goods and services in high volume and result in the standardization of procedures and service. This assembly-line approach is common in many services today. McDonald's corporation serves as an excellent example. Patrons of



McDonald's experience a service encounter when they visit the restaurant. They are served quickly, efficiently and they receive a standardized product.

Despite the efficiency of encounter systems, there are drawbacks. First and foremost is the disincentive for the encounter provider to deliver outstanding service on any given service performance. The provider is unlikely to ever encounter the customer again and the large volume of customers can actually lead to customer resentment. Secondly, encounter providers rarely receive praise for good service performance. Customers are more inclined to provide feedback only when they have a complaint. [Ref. 5: p.47] Government agencies are extremely vulnerable to this situation. Customers of government bureaucracies are much more likely to only discuss negative aspects of a service encounter even if the service was good. [Ref. 5: p. 48]

Encounter systems require a large investment of management time to ensure their efficiency. Unlike a relationship, encounters are not self-regulating. They require oversight because there is little feedback in comparison to the direct feedback received from a relationship. Unlike a manufacturing procedure, encounters are not easy to continuously improve (as in Total Quality Management). Oversight, if not properly conducted, can result in stifled creativity and lead to employees focusing more on procedural compliance than on the needs of the customer. Service quality becomes more of a routine than a true concern.

Relationships and encounters are not mutually exclusive, however. Over time, encounters can evolve to become relationships. Likewise, certain aspects of relationships can take on encounter characteristics. Gutek points out that a service provider's motivation is often linked strongly with salary and service volume. If a provider earns more with each encounter, there may be tacit motivation to provide superior service. If a provider's income is not related to the service provided, as in many government jobs, there is no motivational aspect between service and salary. In this setting, a government worker may develop significant relationships if they are assigned a small case load. The greater the increase in

customers, the less incentive for spending time on problem solving and customer satisfaction.

An interesting insight into the differences between relationships and encounters centers on the area of attribution. In a relationship, good service may often be attributed to the skill of the provider. As a customer develops a long standing relationship with a provider, they will become more inclined to view a poor service incident as an aberration that is beyond the fault of the service provider. The situation is much different in an encounter scenario. If the customer receives poor service, they will either attribute it to the actual service provider or to the whole organization. If they receive good service, they may not necessarily credit the service provider. Instead, they may attribute the service to the high standards of the organization.[Ref. 5: p. 75]

Relationship providers are primarily experts or professionals. Relationship providers utilize their expertise to perform their job, drawing on a base of knowledge to solve problems. [Ref. 5: p. 101] To be truly considered a relationship provider, the provider needs to identify with a particular profession and career path. Relationship providers tend to develop their careers within their substantive area of expertise.

Key to the success of the encounter provider is to interact in an efficient and uniform manner with customers. This ability is more important than any accumulated expertise that is developed by the provider. Encounter providers are considered functionally equivalent and not differentiated on expertise. [Ref. 5: p.110] Encounter providers are usually required to maintain specified levels of service quality. They are not expected to provide the customer with broad-based expertise on the service they are delivering. Many unskilled, low-paying front-line service jobs utilize an encounter system.

One of the most significant requirements for an encounter provider is that they react to encounters in a specified, relatively scripted manner. By design, encounter type service jobs involve limited decision making authority. This is believed to result in a more

standardized delivery of service. Decision making lies within the power of a limited number of management personnel. A significant drawback to this separation of decision making and service delivery is that encounter providers will often acquire significant levels of stress. This is especially the case when a service encounter cannot be solved without overriding internal policy. The encounter provider may feel powerless to help resolve the situation.

The efficiency of the encounter system has made it the standard for most of today's service providers. Large volumes of customers are provided a standardized service or range of services (or products) in a consistent, predictable manner. Today's consumer is perceived to demand this kind of service, but also wants to be treated as an individual. This presents a dilemma for service providers. Encounter systems treat every customer consistently by design. The result is a loss of personal service. Many organizations are bridging the gap between encounters and relationships by creating "pseudorelationships". [Ref. 5: p. 197] The goal of this process is to benefit from the standardized, efficient processes employed by encounters, but to treat customers in ways that infer a relationship. For instance, a customer service representative may be instructed to refer to customers by their first name. The appearance of a relationship with the customer is believed to fulfill the perceived need for a personal relationship.

A new twist to the pseudorelationship is the attempt by organizations to develop relationships between the customer and the organization rather than a specific employee. This is considered an experience relationship. The connection between customer and organization can lead to brand loyalty and repeat business.[Ref. 5: p. 204]

#### **4. Communicating with the Customer**

As earlier research indicated, customers value various service dimensions when they receive service. Research also tells us that the only true criteria that matters when

evaluating service quality is defined solely by the customer. Finding out what customers *expect* is essential to providing service quality. [Ref. 1: p. 54]

There are numerous methods of communicating with customers to better understand their expectations. These methods can be as simple as using unsolicited customer feedback or as sophisticated as an elaborate expectation study.

Many organizations depend on customer complaints as their sole means of feedback. [Ref. 1: p. 54] Even though complaints can be a very useful source of information, research indicates that customers rarely complain about poor service. Technical Assistance Research Programs (TARP), a Washington DC based research organization, has conducted extensive research in the area of customer complaints. Their research is sobering. Only four percent of customers with problems actually complain to companies. The remaining 96 percent remain unsatisfied and tell an average of nine to ten other people about their bad service incident. In one study TARP found that 26 out of 27 people did not complain about poor service. [Ref. 1: p. 54] As the TARP research indicates, most organizations are barely scratching the surface of the potential feedback available from customers.

Janelle Barlow and Claus Møller (1996) of the international consulting firm TMI, focus on the valuable resource of customer complaints in their book, *A Complaint is a Gift*. The authors show that complaints are ways that customers tell us to improve or change to better serve their needs. [Ref. 6: p. 1] Unfortunately, American culture views complaints as things to be avoided at all costs. Many would rather pretend that a complaint does not exist than to correct a problem. Some organizations even take the drastic position that complaints are simply the views of trouble-makers and whiners. The authors conclude that complaints should not be viewed as such, but should be utilized as strategic tools to help improve the organization.

Complaints can be a low cost way of gathering information on the needs and desires of the customer. On a continuum of information gathering techniques, complaints are the least expensive in terms of dollars invested or time. Other methods such as benchmarking of similar industries, market research, customer panels and comprehensive studies of customer expectations can be significantly more expensive.[Ref. 1: p. 55]

The feedback that an organization receives from complaints can assist them in "fine tuning" their services. In some instances, feedback can help prevent poor management decisions that could cost millions of dollars. This is the case with the Coca Cola corporation when it released "New Coke." Customer backlash was staggering and Coke quickly re-released the old Coke re-named "Classic Coke" before they experienced significant losses to their product lines.

To make complaints a valuable tool, it is necessary to encourage customers to share complaints with an organization. After a complaint is communicated to the organization, it is then crucial that it be handled effectively. A well handled complaint results in reciprocity between customer and service provider. If a complaint is resolved to the satisfaction of the customer, they are likely to think favorably of and make positive comments about the service provider. As mentioned earlier, most customers do not take the time to actually complain. There are many reasons that people do not complain including lack of time, the feeling that it will have no effect, the feeling that they will be viewed as a trouble maker or that they will get someone in trouble. Rather than complain, customers will instead spread the news of their experience to their friends or associates. These "Bad-will Ambassadors" can cause significant damage to an organization's reputation. [Ref. 5: p. 34]

How does an organization get a customer to share his/her true feelings and express a complaint? The first step is to create an organization that seeks out complaints. The Motorola Corporation utilizes meetings with customers called Technical Action Requests (TAR). During these meetings the two sides discuss problems *only*. Motorola makes a

conscious effort to bring suppressed problems to the surface so that they are properly solved. The benefits often include increased efficiency, improved service and most importantly a more satisfied customer.

Not all service-related complaints come strictly from the customer. Complaints from front-line service providers are increasingly becoming a valuable source of feedback for many organizations. To understand the value of internal complaints it is necessary to understand the needs and desires of service providers in their day-to-day activities. *Internal quality* of a working environment contributes most to employee satisfaction. This quality is measured by the attitudes and feelings that employees have towards their jobs, co-workers, supervisors and the organization as a whole. [Ref. 7: p. 238]

The fact that most customers do not complain about service quality necessitates the use of other forms of customer communication to supplement complaints. One method that can provide useful customer feedback is "Key-Client" studies.[Ref. 1: p. 57] Large customers are critical enough to an organization's success to warrant dedicated study. General Electric Company's aerospace group has key clients in the DoD including the Army, Navy and Air Force. GE conducts extensive interviews with these customers at all levels. These interviews assist GE in clearly defining their customer's needs and allow them to focus their efforts to meet these needs.[Ref. 1: p. 57]

A derivative of "Key-Client" studies is to utilize customer "panels" or "focus-groups". These groups are composed of selected customers and are facilitated by a leader from the organization. The groups meet on a periodic basis and discuss service quality issues. [Ref. 8: p. 109] Companies such as USAA and Saturn Corporation utilize focus-groups to supplement their customer communication systems.

Surveys are another effective means of communicating with customers. Surveys can be utilized in various ways including periodic satisfaction and feedback surveys. Organizations periodically send out detailed surveys to probe customers for feedback

regarding their perception of service and/or product quality. USAA utilizes a detailed annual survey that it sends out to selected customers. The researcher participated in USAA's most recent annual survey. The survey consisted of approximately five pages of detailed service and product related questions.

Surveys can also be conducted at the conclusion of a service transaction. This type of survey is known as a "transaction-based" customer survey.[Ref. 1: p. 58] American Express corporation surveys customers after their representatives assist them with billing problems. These surveys cover areas such as employee courtesy and competence, and the customer's overall satisfaction. The Disney Institute conducts a similar survey for customers at the conclusion of their stay.

Surveys can also be utilized to gather information on the satisfaction of employees. These are known as "internal surveys." Internal surveys are useful for providing management with suggestions to improve service to the end customer or to better equip employees to improve service to the end customer. Many times the direct customer contact of a front-line service provider makes them a valuable source of input to improve service quality. [Ref. 9: p. 19]

The most elaborate and expensive method for gathering information on customer needs and expectations is to conduct a comprehensive customer expectation study.[Ref. 1: p.58] This technique combines various feedback mechanisms already discussed such as surveys (both internal and external) and focus group interviews. American Express utilized this technique to determine the quality dimensions most important to their customers in the context of their financial services.[Ref. 1: p. 59]

One final area of consideration in the development of enhanced customer communication is information technology. Some organizations are effectively leveraging their customer service capability with elaborate computer networks, electronic imaging technology and telephone systems. An excellent example of this is USAA, which has a

state-of-the-art electronic imaging system that allows all correspondence to be scanned and stored electronically. This allows any USAA representative to instantly access a customer's file and provide on the spot service. [Ref. 7: p. 137] At a time when many service companies are discovering that their heavy investments in technology do not translate into productivity gains, USAA has used technology to increase productivity and improve service quality.[Ref. 7: p. 132]

Some organizations are beginning to utilize information technology as a tool to gather and track customer feedback. For example, USAA's property and casualty group recently implemented a feedback system called "ECHO" (Every Contract Has Opportunity). [Ref. 10: p. 2] The ECHO program logs customer comments, including complaints, compliments or suggestions. The program catalogs the input and immediately routes the information to designated action agents. These agents are responsible for investigating the problem and following-up with the customer if needed. This input is utilized to make changes to policy or products, to improve customer service. A weekly analysis of the changes and suggestions is circulated from front-line employees to top management. ECHO logs over 2,000 entries per week. [Ref. 10: p. 2]

## **B. INTERVIEWS WITH WORLD-CLASS SERVICE PROVIDERS**

To further supplement the archival data gathered from the literature, a series of interviews was conducted with three diverse firms with reputations for service quality. The three companies were identified in the archival data as acknowledged quality service providers. The intention was to provide current insight into the customer service techniques being utilized by today's progressive service firms, to determine if any common traits or characteristics exist between them and to utilize this information to help build the service quality benchmark to assess the FISC San Diego Regional Contracts Department.



The three companies were selected at the discretion of the researcher for their business diversity. Three broad areas of the service economy are represented by these companies including financial services, entertainment and retail auto sales and service. The sample size was limited to three companies to facilitate the evaluation of qualitative information. Only one person within each company was interviewed. These individuals were middle managers with significant roles in the management of service quality. Each person was asked a series of six questions. These questions were developed by the researcher to gain insight into the service philosophy of each firm. Each interview was conducted via telephone.

#### **1. Interview with Ms. Lizette Blais of the Disney Institute**

Ms. Blais is a program coordinator at the Disney Institute, the branch of the Disney Corporation that provides training and consulting services to the public and private industry. The Disney Institute is located within the Disney World Complex in Orlando, Florida. The interview was conducted via telephone on February 25, 1997.

##### **Question 1: How are you designed to offer customer service?**

Ms. Blais provided me with a comprehensive history of Walt Disney and his mission to develop a different kind of amusement park and to provide a "family experience" for his "guests" (as customers are called). Disney developed a quality service formula that would ensure that guests would receive the best in service. Central to the formula is an extensive training program. Every potential employee with the Disney Corporation, from a street sweeper to the CEO, attends this training. By having people of all levels of management together in the same class, teamwork and a common vision is emphasized. Future employees or "cast members" learn to work together to deliver on Walt Disney's service pledge.

**Question 2: How do you collect information on your customers?**

Disney utilizes many methods of communication with guests, including surveys. The Disney Institute provides training in the Disney way of management through the Disney University. At the Disney University for example, guests are surveyed upon check-in. They are asked six short questions regarding their check-in procedure, for example, "Were the front-desk cast members courteous?" During the actual program the guest is provided a marketing oriented survey that includes questions such as, "How did you hear about us?" At the conclusion of the program an exit survey is performed to gather overall impressions of the stay. Guests are asked questions about their stay including the food, the field experience and their overall rating of the program.

In the amusement park environment, Disney will often have a cast member with a clip board ask guests their opinion regarding various aspects of the park. They may be asked questions regarding the value of the park visit for the money spent.

Disney receives a large amount of feedback via letters from guests. They receive on average about 1,000 letters a day. Disney has a dedicated department that responds to each letter. The sheer volume of correspondence necessitates that most of the letters be responded with a form letter. Disney requires these letters be hand signed in blue ink to make them feel more personal. Disney finds the letters to be a great tool for strategic feedback, including new marketing ideas and ways to improve the company. Suggestions are seriously considered and utilized whenever possible.

**Question 3: How do you resolve complaints and bad service incidents?**

Guests at the Disney Institute are asked for their "magic and tragic" moments at the conclusion of their stay. This is a chance to listen to the guest's feelings regarding their stay and to solicit feedback regarding the experience. Disney understands that guests may be frustrated concerning some aspects of their stay. Disney attempts to listen to the "essence" of any complaints. They attempt to find any underlying reasons for complaints. Guests are

requested to provide a name of the cast member, the location and the time of the incident. Disney management will talk to the cast member to understand the incident and make recommendations for change.

Disney cast members are encouraged to rectify problems on the spot. They are empowered to compensate guests up to a specified value. This includes free tickets, food, pictures or some other form of compensation. Disney cast members are also trained to empathize with guests and to listen to their frustrations. Many times guests simply want someone to listen to them as they vent their feelings.

**Question 4: How do you instill customer service related values in your employees?**

As mentioned in question one, prospective cast members are provided with a training program at the beginning of the hiring process. This training program is called "traditions" and focuses on the history, philosophy and standards of the Disney Corporation. As part of this training they are shown a video that chronicles the life of Walt Disney and then provides an overview of Disney goals and employment standards. Applicants are told up front what is expected of them, including grooming standards. Applicants are asked if they can adhere to these standards. If an applicant is not hired, Disney will still suggest ways for the applicant to improve their interview skills and poise. Disney views this as a service to the public and hopes that it helps improve people. Moreover, Disney sees these people as potential guests in the future.

**Question 5: Provide some examples of outstanding customer service.**

Ms. Blais described numerous examples of outstanding service provided by cast members. She described how a cast member provided autographed pictures to guests, to compensate them for a break down in service. She described how street sweepers routinely assist guests with all kinds of needs, including directions, information regarding attractions and assistance with lost children.

**Question 6: What are the most important components of an effective customer service program?**

Rather than provide me with a lengthy list of components for a customer service program, Ms. Blais concluded the interview with some bottom-line concepts regarding the Disney philosophy. She said that for Disney, "the front-line is the bottom line". Everyone is part of the "show" and that for Disney to be effective, every cast member must "buy-in" to the Disney philosophy and truly believe in the goals and methods of the organization. Teamwork and belief in the Disney service vision are what makes Disney what it is today.

**2. Interview with Mr. Jerry Gass Of United Services Automobile Association**

USAA is a leader within the insurance and financial services industry. USAA's members are primarily uniformed officers of the department of defense or their family members. USAA's goal is to provide the customer personalized service, while retaining the benefits of a large, multi-line, multinational company. USAA is a unique company in that its members are located around the world and conduct their business primarily by toll-free telephone calls, fax and mail. This indirect nature of serving the customer presents unique challenges, but USAA is consistently rated as one of the best customer service companies in the industry. USAA's dedication to quality in customer service has been recognized by many national organizations and they have received extensive coverage by the Harvard Business Review. [Ref. 10]

Mr. Jerry Gass is a member of the Market Research Branch of USAA located in San Antonio, Texas. The interview was conducted via telephone on March 3, 1997.

**Question 1: How are you designed to offer customer service?**

USAA seeks to hire employees with a service orientation. They want to hire employees who have a genuine desire to serve the customer. Employees are trained

extensively in the operation of USAA's state-of-the-art document imaging system that allows anyone in the organization to access any type of correspondence on any customer. They are also trained extensively in telephone service techniques.

USAA Insurance company is broken down into two areas, claims and policy service. The company is organized by geographic regions, which is done to help provide service tailored to a customer's location since insurance is regulated at the state level. Incoming calls are automatically routed to the applicable region based on the area code of the customer.

USAA utilizes an extensive customer service training program and a large portion of their operating budget goes towards this training. Each new front-line customer service representative is provided a minimum of 16 weeks of training that covers all aspects of state insurance regulations, policy information, claims procedures and telephone techniques.

Employees of USAA are trained to anticipate the needs of customers and to be empathetic and understanding. They utilize a concept called "propensity" to market their products to their customers. For example, a retired Navy Captain might be contacted regarding vacation cruise packages by USAA's buying services branch. An Ensign, on the other hand, would not be targeted for a cruise but instead be contacted regarding life insurance for his family. The emphasis is on providing a full-range of products to a customer throughout their professional life and thus establishing a long term relationship with the customer.

**Question 2: How do you collect information on your customers?**

Every time a customer calls USAA, the company verifies that its customer database is complete and accurate. The company utilizes transactional surveys after selected service transactions such as a policy update. They also utilize over 100 customer focus groups with customers in various offices around the United States and at their corporate headquarters in San Antonio, Texas. Other methods of communication are annual member meetings, ten

percent living samples of customers and participation in the insurance industries' national opinion survey.

The Property and Casualty group of the company utilizes a dedicated customer feedback system titled ECHO (Every Contact Has Opportunity). This system allows customers to play a role in improving USAA's customer service. Customer comments, both good and bad, are logged by service representatives. These log entries are automatically routed to designated action agents. Action agents are responsible for correcting problems and will follow-up with customers to get additional information or report action taken. A weekly analysis of changes and suggestions is circulated from front-line personnel up to senior management. The system is currently receiving over 2000 entries per week.

**Question 3: How do you resolve complaints and bad service incidents?**

The company puts an emphasis on the speed of resolving complaints. Customer service representatives are encouraged to do whatever it takes to satisfy the customer and to do it as soon as possible. USAA aims to resolve complaints within 24 hours.

**Question 4: How do you instill customer service related values in your employees?**

The business culture at USAA is centered on customer service. Air Force Brigadier General (Ret.) Robert McDermott, long time CEO of USAA, developed six tenants that became the strategic vision of USAA. They are (in priority):

1. Customer service.
2. Financial strength.
3. Resources (Infrastructure).
4. Product value.
5. Growth.
6. Public outreach.

By pursuing these tenants, the General believed USAA would enjoy success as a financial services company. In fact, he believed that if you could achieve goal number one, that the rest would follow. Employee training instills these values in each member of the USAA team.

**Question 5: Provide some examples of outstanding customer service.**

Mr. Gass provided two examples of outstanding customer service. During Operation Desert Storm, USAA established a "Member Survivor" team to ensure timely and effective response to any life insurance claims. The thrust behind the team was to ensure that members received comprehensive casualty assistance with one phone call. USAA wanted to empathize with members that had lost loved ones during the war and to ensure that there was no difficulty in receiving benefits. Another example of outstanding service during the Gulf War was USAA's special pricing on auto insurance policies. If a service member was in the Gulf, and the auto was not operated, they received a significant discount on their premiums.

**Question 6: What are the most important components of an effective customer service program?**

In answering this question, Mr. Gass emphasized three areas. They are:

1. Education throughout the organization: Employees are constantly reminded to remain focused on the customer and to view service through the eyes of the customer.
2. Stay the course: USAA has an advantage over most companies in that it is member owned and is not influenced by the pressures of stock holders. This flexibility allows them to implement change over time and support long term initiatives.

3. Control all aspects of service quality: Since USAA does not utilize insurance agents or other forms of middlemen, they can control service quality and consistency.

### **3. Interview with Mr. Jeff Canty Of Saturn Corporation**

Saturn Corp. is a division of General Motors and was developed with the primary focus of providing outstanding products and service. Saturn produces a line of economical cars with a reputation for reliability and value. The company is recognized as one of the leaders in customer satisfaction within the auto industry. Mr. Canty is a customer service regional manager. The interview was conducted via telephone on March 7, 1997.

#### **Question 1: How are you designed to offer customer service?**

Saturn is organized into four service regions, east, south, west and central. Each of these service regions has a team leader. Within a region, a team leader has five or six market area managers. These managers are responsible for the strategic development of the market area. They are responsible for implementing key strategies with the seven or eight Saturn retailers in their area. Each market area has two or three facility consultants that assist retailers with the measurement of customer satisfaction.

Saturns are marketed by what the company refers to as "retailers" as opposed to "dealers". A retailer can own more than one "retailorship" within the same market area. This type of organization is rare within the auto industry, where privately owned dealerships compete head-to-head. Saturn finds that this type of organization allows for more consistent quality of service. A Saturn retailer has more in common with a McDonald's franchise than with a traditional auto dealer.

Saturn has a network of Customer Assistance Centers. These centers are lead by a Customer Assistance Manager that knows the retailers within his region. Each center is budgeted to provide service to its retailer base and has approximately 100 team members.



The centers budget for a basic service standard. For example, they might budget for a staff that can achieve a telephone wait time of less than 40 seconds, approximately 96 percent of the time.

The training program at Saturn is structured and comprehensive. Employees hired at customer assistance centers are trained for five weeks in telephone service techniques, role playing and computer skills. A customer service specialist receives an additional two weeks of training. Saturn employees are encouraged to team build and are provided incentives to improve teaming.

**Question 2: How do you collect information on your customers?**

Saturn gathers customer needs and desires using surveys and customer focus groups. Focus groups are composed of a cross-section of Saturn customers and are lead by a focus group facilitator that asks questions and leads discussions. The company collects complaints using a computer data base called "CAMIS." This system catalogs all complaint letters and calls. It can track the status of a complaint, allowing visibility until resolution.

**Question 3: How do you resolve complaints and bad service incidents?**

If a customer complains by letter, the service center will determine the responsible retailer and then act as a liaison between the customer and the retailer. The service center strives to find a "happy medium" for both the customer and the retailer. They resolve all legitimate complaints within "reason."

**Question 4: How do you instill customer service related values in your employees?**

Mr. Canty believes that you cannot instill values in employees. Instead, Saturn spends time trying to find employees that share the same values that Saturn does. The company spends resources to educate employees about the benefits of Saturn's values. They may on occasion coach those that fail to abide by these values. The company has a two year probationary period and is careful to screen for only the best applicants.

**Question 5: Provide some examples of outstanding customer service.**

Mr. Canty described an incident where a customer bought a used car from Saturn that later experienced extensive engine damage. The car was a Toyota and was essentially an unprofitable sale. An inspection of the engine revealed that the owner did not maintain the engine properly. Rather than risk losing the customer, Saturn was willing to pay for one third the cost of a new engine. Most dealerships would never do this. The result is a pleased customer that is likely to patronize Saturn in the future.

**Question 6: What are the most important components of an effective customer service program?**

Mr. Canty read me Saturn's Mission Statement to illustrate the components of an effective customer service program as defined by Saturn Corp.

To generate customer and team member enthusiasm by incorporating practices that focus on understanding customer and team member needs, and identifying opportunities to exceed expectations.

Saturn is constantly trying to balance enthusiasm and satisfaction. The difficult problem is that as expectations rise, it becomes less economically viable (in most cases) to deliver on a service promise. Customers demand more service that often results in reduced profit margins.



### **III. ORGANIZING FOR OUTSTANDING CUSTOMER SERVICE**

#### **A. LEADERSHIP AND A VISION FOR SERVICE QUALITY**

Organizations with a reputation for outstanding customer service did not achieve this reputation without considerable time and effort. Research indicates that world-class customer service organizations are characterized by management structures that place a strong emphasis on providing quality service to the customer. These organizations closely examine the way they are structured to ensure value is added to the customer service goals of the organization.

Senior management must perform a crucial internal service role, the role of service leadership. Only senior management has the position and clout to build an organization's value system on the pillars of satisfying customers, freedom of action, creative problem solving, and respect for employees. [Ref. 1: p. 137]

Many organizations fail at achieving improvements in customer service because of lack of leadership. Customer service may not be a high priority for many senior managers. Often this is because they are evaluated for other qualities besides providing superior customer service. Other managers simply do not have the resources to implement significant customer service change within an organization. All too often customer service is not deemed worthy of up-front investment. Improving service generally involves spending significant monetary resources. Some senior managers simply do not have the obsession or spirit to lead the development of a customer service culture. It takes managers with strong leadership skills and a passion for service to generate employee enthusiasm. This enthusiasm must sustain any organizational change that can take significant time to manifest itself.

All members of the service organization must have a clear understanding of the organization's strategic plan regarding service. All members must understand their role in

providing outstanding service and how they can work together to provide it. This understanding is rooted in the customer service *vision* of the organization. This vision is the responsibility of the organization's leadership. Leaders must look beyond the distractions of everyday work and provide a clear vision of the customer service goals and aspirations of the organization. Steven Jobs, co-founder of Apple Computer Corp. once said that leaders are the "keepers of the dream," [Ref. 8: p. 72] but they must go beyond this and inspire others to share the dream.

Dean Tjosvold in *Teamwork for Customers*, describes the vision building process as a shared process. This process requires that management involve employees in developing the vision. The process consists of an assessment of the organization's current vision and then reflection on ways to improve it. The vision is then updated and improved.

James L. Heskett in *Command Performance*, describes a "strategic service vision" that world-class customer service organizations utilize to achieve customer service excellence. The vision consists of identifying a target market segment (the customer) and developing a service concept to meet the customer's needs. An operating strategy is then developed to support the service concept and a service delivery system is designed to support the operating strategy.[Ref. 7: p. 8]

High-performance service companies have gained their status in large part by turning their strategic service vision inward by targeting important groups of employees as well as customers. These companies understand that it takes more than a vision to achieve superior customer service, employees must subscribe to and share the vision if it is to be effective.

## **B. MIDDLE MANAGEMENT'S ROLE IN SERVICE QUALITY**

Middle managers play a crucial role in developing service quality. In most organizations, they provide the bulk of the management and leadership in day-to-day

activities. They provide the link between the service vision of senior management and the front-line employee. Without middle management's support for change, any plans to improve an organization's service quality are destined for failure. They can either "put fuel or sand in the gas tank." [Ref. 1: p. 140]

Middle managers must be much more than a conduit for change. They must step beyond their traditional roles as managers, and help multiply the message of change. They must continuously reinforce the service vision and inspire front-line employees to internalize the vision.

Senior management must understand the reluctance for change that middle managers harbor. A middle manager with years of experience is likely to resist change and may feel threatened by it. This is very much the problem with the movement to teams. Middle managers often cannot adjust to their new roles as coaches and facilitators. Senior management must ensure that middle managers are educated to properly handle change. Simply delegating or mandating change to improve service quality is likely to fail. Middle managers that do not "buy-in" to change will do whatever they can to prevent it.

### **C. THE ROLE OF THE FRONT-LINE SERVICE PROVIDER**

World-Class customer service organizations are characterized by superior management, training, policies and most importantly, superior front-line personnel. The best customer service organizations recognize that recruiting the best people is crucial to making them better than their competitors. The best training program in the world will not guarantee outstanding service if you hire only mediocre people.

Front-line workers set the tone for an organization. Their actions, their appearance and attitudes are on display for the customer. [Ref. 9: p. 6] In the world of service, first impressions are crucial for the success of the organization. Front-line workers that give a

bad impression both in appearance and attitude will almost guarantee a dissatisfied customer.

What exactly makes an outstanding front-line service provider? The answers are numerous and varied, but one quality that is always present is a true desire to serve the customer. Outstanding front-line workers truly enjoy service and solving customer problems. They often seek out challenges and look for ways to provide value to the customer. [Ref. 9: p. 67]

As mentioned earlier, customers value reliability, responsiveness, tangibles, assurance and empathy. These qualities also best describe outstanding front-line service providers. Reliable service providers can be counted on to get the job done. A responsive front-line service provider is one that provides the customer what they need, when they need it. Tangibles in the context of front-line service providers pertains to the appearance of the service provider. This relates back to the idea that first impressions are important in service. Outstanding front-line service providers are constantly viewing service from the point of view of the customer and understand the potential impact of internal policy on service to the customer.

It is important to match service people with the right job. If a service job calls for someone with high energy, then a high energy person should be placed in the position. Management must be very careful about matching job requirements with individual skills. People often fail at a job because the job requirements are not consistent with their strengths. Matching up strengths is more important than finding people with prior experience. [Ref. 9: p. 233]

Research indicates that satisfied employees consistently deliver superior customer service. There is a direct relationship between customer satisfaction and the service capability of the front-line staff. The degree to which an organization's front-line employees feel they have the capability, tools, and organizational support to provide for

customer needs mirrors the degree of customer satisfaction. [Ref. 11: p. 10] An example of this is Federal Express Corporation. Fedex tries to align company goals with the goals of its employees. The company has inverted the traditional management pyramid through a process called Service Leadership. [Ref. 11: p. 21] The process puts customers on top and actively supports front-line personnel to ensure that customers are satisfied. Fedex believes that the efforts, talents and commitment of their people are the basis on which customers judge service quality.

Service work can be extremely demanding both physically and emotionally. Front-line service providers must be equipped to handle the stresses of providing quality service on a daily basis. They require quality leadership from senior and middle management and the tools to properly perform their job. It is not fair to demand high standards of service from front-line personnel, but deny them the resources to effectively provide it.

Once properly supported, front-line service providers must be challenged to improve the quality of service they provide. Relying on service standards is not a long term solution for increased service quality. Front-line personnel must strongly identify with the customer. They must empathize with the customer and be trained to view service from the perspective of the customer. If front-line personnel do this, they will experience a strong self-motivation to please the customer.

#### **D. REWARDS AND RECOGNITION**

Service employees respond positively to rewards and recognition. Employees can be strongly motivated to improve service quality if they are properly recognized and rewarded. Mark J. Murphy, President of Johnson and Johnson Hospital Services, Inc. emphasizes this point.

There can never be too much recognition. People perform based on what they are measured and rewarded for.... [Ref. 12: p. 16]



Employees that are properly recognized and rewarded develop loyalty to an organization. World-class service leaders view their best employees as they do their best customers; once they have them, they do everything possible to keep them. [Ref. 7: p. 115] Compensation is one key aspect of retaining quality employees, but it takes more than this. Outstanding service employees value tangible rewards such as gifts and formal recognition before their peers. [Ref. 9: p. 119]

Virgin Atlantic Airways Chairman Richard Branson has a very generous reward and recognition program. Every year, this self-made billionaire throws a week long celebration for employees of his airline and other Virgin enterprises. This celebration includes carnival rides and live entertainment. Another recent reward program offered to airline employees involved a competition to sell duty free merchandise. The winning air crew enjoyed a week long stay at Branson's exclusive, private Caribbean island called "Necker Island." [Ref. 13]

It is not necessary to have rewards and recognition programs as elaborate as those utilized by Virgin Atlantic Airways. Many less costly methods will achieve the same result, the key is to develop programs that motivate extremely competitive people, but yet still keep all employees interested. [Ref. 9: p. 106]

## **E. IMPLEMENTING CHANGE**

Having the knowledge and the determination to implement customer service related change is no guarantee of success. Significant and lasting change takes much more than this. The first step in initiating a lasting change is to create formal service improvement roles within the organization. [Ref. 1: p. 147] Initiatives that are informal and unstructured are unlikely to have lasting benefit. Formal roles demonstrate that the organization is committed to long term change and is willing to dedicate resources to service improvement.

An effective method to institute service related change is through the use of teams. Service improvement teams should be composed of personnel at all levels of the organization. This includes front-line personnel, middle management and Senior management. This coordinated effort has the best chance for success. Teamwork can be a stimulating experience for most people and very rewarding. The problem solving abilities of well structured teams often significantly exceed those of traditional work organizations. "Delivering Quality Service" describes the use of three types of teams that are necessary for service change, these are vertical teams, project teams and horizontal teams.[Ref. 1: p. 150]

Metropolitan Life Insurance developed an extensive service improvement process to become more customer focused. The management of Met Life asked each organizational unit to identify the services they provided and what customers they served. They then formed teams to focus on each service and improve them. Each team was lead by a member of middle management and composed of the service support and delivery personnel. By involving management and front-line providers in a formal team process, Met Life significantly improved service quality. [Ref. 1: p. 147]

Service improvement teams must be coordinated and facilitated to ensure lasting success. The best organizations utilize interdepartmental steering groups at the executive level to continuously evaluate service related initiatives and recommend improvements. Service improvement management teams or steering groups should develop a strategic sense of the required improvements in customer service. They should attempt to distill the fundamental service goals into a short and concise list of objectives and develop a plan to achieve them.

Service improvement teams must be empowered to make decisions that can make a significant impact. Giving a team this kind of power is often difficult for American managers. Our society still tends to view power as a zero-sum, win-lose competitive struggle. [Ref. 8: p. 48] If one group has power, then it is assumed to be at someone

else's expense. In today's world-class service organizations, power is a positive force. Front-line personnel that are empowered to make decisions are more enthusiastic about delivering service. They are free to make decisions that deviate from policy if necessary. They come to see that their input is valued by the organization. Managers with power have the resources and confidence to encourage employees. Members of a cooperative team support and encourage each other and provide each other with resources and assistance. [Ref. 8: p.48]

The complexity and enormity of the service-quality challenge often inhibits management's willingness to act. Faced with a seemingly impossible goal of providing superior customer service, many simply do not even attempt to get started. [Ref. 1: p. 150] In situations like this, it may help to focus on steady improvement and incremental improvement. Developing a service minded culture is an "evolutionary" process rather than a "revolutionary" process. [Ref. 1: p. 150]

## **IV. SERVICE QUALITY BENCHMARKING**

### **A. OVERVIEW**

The archival data and interviews with world-class service providers indicate several key service quality characteristics that serve as the benchmark for FISC Regional Contracts Department. These characteristics can be grouped into the following areas of emphasis:

1. A vision for service quality
2. Formal service quality improvement programs
3. Robust customer communication and feedback methods
4. Strategic use of customer complaints
5. Effective service delivery techniques
6. Strong internal customer service
7. Customer service training programs
8. Employee reward and recognition programs

### **B. KEY SERVICE QUALITY CHARACTERISTICS**

#### **1. A Vision for Service Quality**

The interviews of world-class service providers indicate that a service "vision" shapes the service culture of the organization. Customer service shapes all aspects of the business and is the most important priority in the company.

Senior leadership facilitates the development of the service vision and continuously reinforces it. More importantly, the senior leadership has inspired other employees to share the service vision. Disney describes this process as employees "buying-in" to the Disney philosophy. This shared vision provides the central focus for service quality.

## **2. Formal Service Quality Improvement Programs**

The archival data indicate that world-class service organizations utilize formalized service quality improvement programs. These programs are most effectively implemented by forming teams made of up of senior leadership, middle management and front-line service personnel. A good example of the use of service quality improvement teams is USAA's use of the PRIDE program (Professionalism Results In Dedication to Excellence). This program uses teams comprised of front-line service personnel and management. The teams promote innovation and problem solving with an eye towards improving service to the customer.

## **3. Robust Customer Communication and Feedback Methods**

The interviews with the world-class service providers indicate an extensive system of customer communication and feedback collection. Surveys are used extensively as a tool to gather information regarding customer needs, perceptions and experiences. Disney utilizes three different surveys for people that attend their Disney Institute Seminars. USAA conducts an extensive annual survey of customers to determine customer perceptions of service quality and to solicit input on service ideas from customers.

Focus groups are used extensively by each company to gather information concerning service performance. Saturn Corp. assembles a cross-section of customers and teams them with a facilitator to probe into their customer service experience.

USAA and Saturn both utilize automated customer service tracking software as another means of collecting information. These sophisticated data bases allow both companies to more efficiently track complaints, ensuring total visibility until resolution.

These communication techniques provide these companies with numerous chances to understand the service needs of their customer. The companies understand that it takes multiple methods to obtain information from customers. The different techniques serve as

checks and balances on customer service trends. For example, it would be unwise to base an expensive marketing decision on the results of one written survey. Furthermore, all of the companies utilize probing questions that encourage customers to share their true feelings.

#### **4. Strategic Use of Customer Complaints**

As the research by Technical Assistance Research Programs (TARP) indicates, people generally do not complain about service. It takes numerous communication techniques to really understand the problems customers have with service.

The interviews with the three companies revealed some common characteristics in dealing with complaints and resolving bad service incidents. All three companies placed a strong emphasis on resolving complaints at the lowest possible level. This is because of the element of "time" and the customer's perception of the company's competence. Obviously the quickest way to resolve a complaint is to have the service provider solve it on the spot. Often customers may anticipate that complaints will take longer to resolve and by shortening the time involved, the company has a chance to exceed the customer's expectations. A service provider that is empowered to make critical decisions regarding customer complaints is perceived to be competent and authoritative. Customers will step away from the service incident with a reinforced confidence in the organization.

All three companies effectively utilized "service compensation" for bad service incidents. Each company allowed service providers to compensate the customer with monetary compensation (including waving fees) or gifts during times of bad service. All three companies have a clear understanding of the long term implications for strong service recovery. By keeping a customer satisfied, they have strengthened their relationship and perhaps gained the customer for life.

One final aspect of complaint resolution common to all three companies was a clear understanding of the effective use of “empathy” for the customer. Disney for example places a strong emphasis on listening to the “essence” of a complaint and then empathizing with a customer during a complaint. This is especially crucial when the service incident is truly beyond salvage. Disney employees share the same view of the incident and almost “share the pain” of the process.

USAA’s special programs utilized during the Gulf War are also excellent examples of empathy for the customer. By establishing a casualty assistance center to assist with life insurance claims, USAA took a pro-active approach towards empathy for the customer. This approach provided USAA another chance to exceed customer expectations and to further cement the long term relationship.

## **5. Effective Service Delivery Techniques**

The archival data, specifically the research by Gutek, indicate that services are provided either in the form of a service encounter or a service relationship. Encounter systems are advantageous for repetitive, homogeneous service tasks that do not require extensive expertise. Customers value consistent quality and speed of delivery from a service encounter system. Relationship systems, in contrast, are utilized for more complicated services such as health care, where the service provider has extensive knowledge and training. Customers value professional, individualized service in a relationship system, they also value the quality of the service over the speed of delivery.

## **6. Strong Internal Customer Service**

Superior front-line service requires strong internal customer service. It is essential for management to understand that if an employee is not serving an external customer directly, then they are serving someone else that is. Without this support, service will fail.

Strong internal service also plays a critical role in fostering employee "buy-in" to a service vision and the service culture of the organization.

#### **7. Customer Service Training Programs**

Customer service training conducted by the three companies covered an extensive array of topics including: telephone techniques, problem solving, dealing with problem customers, personal hygiene, empathizing with the customer and other topics. The customer service training at these companies was also done on a periodic basis. This training is the cornerstone of the "consistent" service quality delivered by the companies.

#### **8. Employee Reward and Recognition Programs**

The archival data suggest that employee rewards and recognition are critical to incentivize change within an organization. Employees are motivated by more than salary. World-class service providers understand this and develop programs to reward and recognize exceptional performance. To be effective the rewards and recognition must be appropriate, meaningful and timely.





## V. METHODOLOGY

This study is an assessment of the customer service ability of the FISC San Diego Regional Contracts Department. The assessment consists of three fundamental steps. First, archival data concerning service quality were gathered from a review of customer service literature. The archival data were supplemented with interview data on the service quality characteristics of world-class service providers. Second, on site interviews were conducted with FISC San Diego Regional Contracts Department personnel to gather data on current service procedures and perceptions. The third step in the assessment process was the benchmarking of FISC San Diego Regional Contracts Department utilizing the archival and interview data collected in steps one and two.

To provide structure to the benchmarking process, a list of key service quality characteristics was developed. This list summarizes the key concepts from the archival and interview data collection steps. FISC San Diego Regional Contracts Department was then assessed utilizing the list of service quality characteristics.

The researcher conducted a site visit of the FISC San Diego Regional Contracts Department on 25 and 26 March 1997. The site visit provided the chance to conduct interviews and to make personal observations of the working environment. A total of eight FISC San Diego Regional Contracts personnel representing all levels of the organization were interviewed. These levels included senior leadership, middle management and front-line service personnel. The emphasis was primarily at the middle management and front-line service level. This number represented less than five percent of the personnel in the department. The views of these eight personnel are not necessarily representative of the entire department and the researcher claims no statistical significance to the sample size or data results. The sample was limited to eight personnel to facilitate qualitative analysis. These personnel included the Military Director, Technical Director, Policy Director, two

procuring contracting officers, a contract negotiator, the Small Purchase Military Director and the Small Purchase Supervisor.

Each person was asked the following seven questions.

1. Who are your organization's customers?
2. What services does your organization provide to customers?
3. How are you designed to offer customer service?
  - people
  - structure
  - budget
  - programs
  - training
4. How do you collect information on your customers?
  - needs and desires
  - complaints
5. How do you resolve complaints and bad service incidents?
6. Provide some examples of customer service.
  - good
  - bad
7. On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?

These questions were developed to gain insight into the customer service performance of the Regional Contracts Department, and to provide an understanding of customers, services, feedback methods and perceptions of service performance. The complete text of each interview is provided as appendix A.

## **VI. ASSESSMENT OF FISC SAN DIEGO REGIONAL CONTRACTS DEPARTMENT**

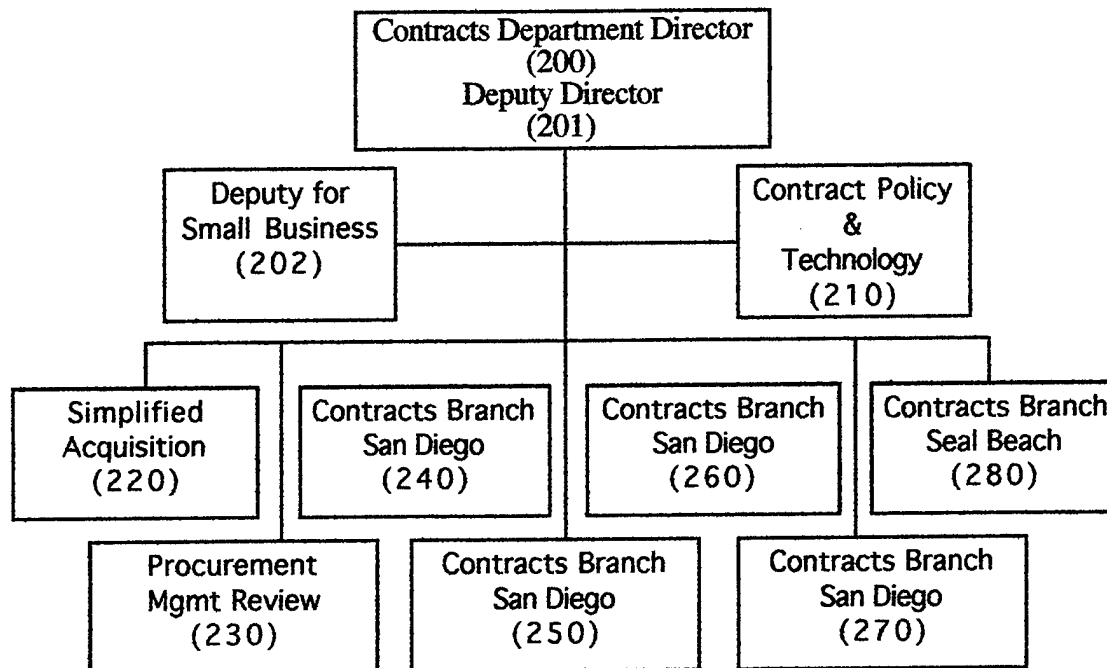
### **A. DESCRIPTION OF THE REGIONAL CONTRACTS DEPARTMENT**

The Regional Contracts Department is responsible for performing all procurement functions for FISC San Diego. This includes performing all supply and services related contracting for customers in the Southwestern region of the United States. Principle customers include shore installations of the Department of the Navy and the Department of Defense. Currently there are over 500 customers, with the majority of work focused on a handful of large customers. The top seventeen customers by dollar value accounted for 621 contract actions during 1996 at a total of \$437 million. [Ref. 14] The rest of the over 45,000 contract actions were within the small purchase threshold of \$100 thousand, for a total of \$160 million. The department provides support to afloat units, primarily through its simplified acquisition division (also referred to as the small contracts division).

The department is identified as code 200 within the FISC San Diego organizational structure. The most current on board figures show 167 personnel assigned to the department. Of this, three personnel are military and the rest civilians, primarily contracting specialists including 1102, 1105 and 1106 codes. The department is mission funded from the Naval Supply Systems Command for 146 personnel. There are also six interns and twelve personnel that are on reimbursable funding from other activities. [Ref. 15] The Regional Contracts Department (large contracts division), specializes in drafting, negotiating and administering services contracts and they consider themselves to have a core competency in engineering services contracts.

The Department Director (code 200) and the Deputy Director (code 201) are assisted by a Deputy for Small Business (code 202) and Contract Policy and Technology Directors (210). The rest of the organization is divided between large contracts (greater than \$100

thousand) and simplified acquisitions (up to \$100 thousand). The large contracts division is organized into four contracting teams, an off-site team at Naval Weapons Station Seal Beach, CA and the Procurement Management Review team which conducts training and assessments. An organizational chart is included below. [Ref. 15]



## B. ANALYSIS

FISC San Diego Regional Contracts Department has a customer focused vision statement that reads, "Become the contracting center of choice in the Western Region by being NAVSUP's most innovative and most efficient buyer of best value goods and services that meet our customer's needs". This vision is reinforced by the leadership of FISC San Diego. Interviews and observations of FISC contracting personnel indicate that from the Commanding Officer on down, the priority is on serving the customer.

The personnel of FISC San Diego have internalized the organization's vision of service to the customer. There are two primary reasons for this. First, the leadership has

established a clear and understandable statement regarding customer service in the vision statement. Second, the leadership continuously reinforces this vision. A recent climate survey conducted at FISC San Diego supports this. The survey indicates that employees have knowledge of the strategic plan, including focus on the customer. Employees also consider themselves focused on the customer. [Ref. 16]

The interview data obtained from FISC San Diego indicate that they do not utilize formalized service quality improvement teams in the Regional Contracts Department. There are service quality improvement initiatives being implemented such as those that reduce cycle times, including the use of oral proposals or increased "up-front" involvement by contracting personnel in acquisition planning. These initiatives are derived from recent acquisition policy implemented throughout the Department of Defense, and were not developed utilizing service quality teams. Some of the initiatives are based on "best practices" that are currently being embraced by acquisition reform decision makers at the Department of the Navy and the Department of Defense (e.g. oral proposals). These policies address the acquisition "process," but are not based on feedback from FISC San Diego Regional Contract's customers.

The communication techniques utilized by FISC San Diego Regional Contracts are not as varied or as effective as those utilized by world-class service providers. There are no focus groups utilized, surveys are not utilized as extensively and they lack an automated means of tracking customer complaints. The current emphasis in the customer feedback and communication system is on obtaining the customer's overall satisfaction score during a quarterly satisfaction survey. This information is helpful for understanding the overall opinion of the customer and facilitates the gathering of data by the Naval Supply Systems Command in order to monitor the customer service performance of the entire field contracting system. As a feedback mechanism, the current survey is too limited to serve as a powerful source of customer information.

The Regional Contracts Department is not staffed to provide continuous live response to all telephone inquiries. To compensate for this, the department relies on a voice mail system. Although voice mail systems do allow visibility of all telephone inquiries, they can work against customer satisfaction if customers begin to perceive the system as non-responsive. This can also happen with e-mail if not read and responded to in a timely manner. This appears to be happening at the Regional Contracts Department and customers often complain that they are unable to access key personnel when they need them. Overtime, the appearance of "non-responsiveness" may impact on customer expectations.

One example of an effective feedback method utilized by PCO's within the Regional Contracts Department is customer site visits. The interviews indicate that PCO's are being encouraged, and are actually starting, to conduct customer site visits of local customers. This provides the best medium for gathering customer feedback and sends a strong message to the customer that the Regional Contracts Department is serious about service quality. Site visits are also critical to the development of customer and provider relationships.

The current shortfalls in customer feedback techniques by FISC San Diego Regional Contracts Department are likely also seen in many other Navy field contracting activities and indicate a lack of understanding of the use of customer feedback. Today's emphasis is to look at customer service as a metric to compare performance among field contracting activities. This is problematic because each field activity serves an entirely unique set of customers and these customers may define service quality differently.

Interviews with FISC San Diego Regional Contracts personnel indicate an attempt to resolve customer complaints at lower levels in the organization. Compared to the three companies, it appears that this is not always the case. In many cases the level of complaint resolution was indicated as the PCO or supervisor level. This is caused by the impact of federal regulations or internal policy. A customer that has a regulation or policy-specific

complaint is unlikely to get resolution from a front-line service provider. In most cases it is easier or even encouraged for the service provider to seek supervisory assistance with a customer complaint. This is primarily an issue of the authority to compensate the customer. The issue of "service compensation" is problematic in the government sector of our society. It may be common practice for companies to allow thresholds for monetary compensation for complaining customers, this is essentially not possible in the public sector. Such individual discretion would be a radical idea in today's government with its emphasis on "fiduciary" accountability, no matter what the amount.

The service structure at FISC San Diego Regional Contracts Department can be described as both encounter and relationship based. In some cases there may be a transition from one to the other, such as from an encounter to a relationship. The organizational structure of the Regional Contracts Department, and the large contracts division in particular, provides a strong foundation for developing outstanding customer service.

As identified earlier, the large contracts division is organized into four customer teams and one team dedicated to training (the procurement management review team). Each team is structured around one or more large customers based on contract actions. The interviews indicate that the customer team structure is enhancing relationships between customers and contracting personnel in the division. PCO's are establishing frequent communication with these customers and in some cases are meeting with customers to discuss service issues. In many cases these relationships are developing into personal relationships. It is not uncommon for PCO's or negotiators to know their customers by name. The relationships between customer and provider are having a positive impact on customer satisfaction.

A drawback to the relationship method of service delivery is the time required to develop a relationship. It may take a significant period of time to establish a strong working relationship with a major customer. This should not be a significant constraint for the large



contracts division because the contracts they award are usually of a more complex nature, for example a complex engineering services contract. The complexity of the contract usually allows enough time for a relationship to build.

In contrast to the large contracts division, the small contracts division is faced with the dynamics of an encounter service delivery system. Most of the purchases are less complex, lower cost supply and service contracts. A greater emphasis is placed on speed of delivery than is within the large contracts division. This is because requirements are usually more of an emergent nature and can often effect the short term mission effectiveness of an organization. An example of this would be a Navy ship that is scheduled to deploy and requires a critical part for its engines. This emphasis on speed of delivery drives the need for a standardized and consistent service delivery mechanism. The customer demands that the service process be simple, consistent and effective. The interviews indicate that the division still faces problems in these areas. Procurement lead time is not always consistent and documentation is occasionally lost.

FISC San Diego Regional Contracts Department places a large emphasis on internal customer service. The contracting specialists within the department view themselves as professionals and take great pride in their jobs. As professionals, an emphasis is placed on education to enhance job proficiency. This is partly the result of initiatives to improve the education of acquisition professionals within the Department of Defense, such as the Defense Acquisition Workforce Improvement Act (DAWIA).

The Technical and Policy Directors are the primary facilitators of internal service quality. Both expressed the opinion that their customers are both external and internal in nature. They both take an active role in providing tools for the PCO's and contract specialists to perform their jobs. These include leading training stand-downs, tracking training requirements and sitting on contract review boards, to name a few.

The contract negotiator interviewed viewed the Defense Finance and Accounting Service as an internal service provider because they provide payment to contractors. This example illustrates the depth of understanding regarding the importance of internal service within the Regional Contracts Department. Department personnel understand the importance of teamwork in improving internal service quality and also understand that improving internal service will enhance service to external customers.

One of the more significant areas of difference between FISC San Diego Regional Contracts Department and the three companies was in the area of customer service related training. Customer service related training was common place at USAA, Saturn and Disney. In contrast it was essentially non-existent at FISC San Diego Regional Contracts Department. The only exception was in the small contracts division which has conducted some forms of customer service related training.

The current training emphasis within the department is on the acquisition process. Most of the training tools available to the department are primarily related to improving the acquisition process. These training tools are rooted in the requirements of the Defense Acquisition Workforce Improvement Act.

A recent climate survey at FISC San Diego indicates that there is an opportunity for improvement with the organization's reward and recognition programs. Many personnel believe that recognition is not timely and that there is not enough recognition for special achievement. Lack of recognition or untimely recognition can be detrimental to the service attitudes of personnel within an organization. Worse, inappropriate recognition or recognition of the wrong personnel can erode internal customer service and teamwork. To address this perceived area of weakness, FISC San Diego is placing an increased emphasis on the publicizing of reward programs and is developing solutions with the help of a "Recognition" Quality Management Board (QMB).



## **VII. CONCLUSION AND RECOMMENDATIONS**

### **A. CONCLUSION**

This research effort provides a clearer understanding of the dynamics of service quality. Service quality is significantly more difficult to determine than the quality of a manufactured good. Service quality is ultimately defined by the customer that is receiving it. Service is fleeting, it exists for a short time and then is gone forever. There are usually no second chances in delivering service.

Customers utilize some basic attributes when evaluating service quality. These attributes are called service dimensions. These are in order of importance: reliability, responsiveness, assurance, empathy and tangibles. All customers, from retail customers to customers of FISC San Diego Regional Contracts, have a hierarchy of service dimensions.

Improvements in service quality require service providers to establish communication with the customer. Customer feedback allows an organization to understand the needs of the customer, including their service dimensions. World-class customer service organizations utilize a multitude of customer feedback mechanisms including surveys, focus-groups, automated information systems and personal visits.

Service is delivered in either encounters or relationships or some combination of both. These delivery systems have advantages and disadvantages and require careful consideration.

Organizations can structure themselves to improve their service quality. This process begins with a service quality vision. The senior leadership of an organization is responsible for developing and delivering this vision. Middle management and front-line service providers both play key roles in improving service quality. Many organizations improve service quality by establishing formal service quality roles within the organization. One of the most significant characteristics of world-class service providers is a heavy

emphasis on employee training. This training includes both operational training and customer service related training.

The assessment of the FISC San Diego Regional Contracts Department indicates the following. The organization has a well defined customer service vision and personnel have a clear understanding of this vision. There are no formal service quality roles within the organization. The organization utilizes limited methods of customer feedback and does not have a formal customer service training program.

FISC San Diego Regional Contracts is well structured to improve service quality. The large contracts division is organized by customer teams which allows them to capitalize on the benefits of service relationships. The small contracts division, although characterized by aspects of an encounter system, is also developing relationships with its customers.

## **B. RECOMMENDATIONS**

The following recommendations are offered to enhance the customer service effectiveness of the FISC San Diego Regional Contracts Department.

1. Establish formal customer service roles.
2. Develop more robust customer feedback mechanisms.
3. Establish a customer service training program.
4. Continue to enhance customer and provider relationships.

### Recommendation number one:

Formal customer service roles are necessary for the long-term effectiveness of a customer service program. FISC San Diego Regional Contracts Department should charter an Integrated Process Team to improve service quality. The team should be comprised of personnel from all levels of the department including senior leadership, middle management and front-line service providers. This team would provide legitimacy to the customer service improvement effort.

Recommendation number two:

The first task of the IPT would be the drafting of an in-depth survey to determine the service dimensions of customers. A suggested survey is included as appendix B. This is based on a survey developed by Zeithaml, Parasuraman, and Berry called "SERVQUAL." [Ref. 1: p. 23] This survey will require some tailoring depending on the needs and desires of the Regional Contracts Department.

Surveys addressing individual contract performance should also be utilized for each completed contract action. This survey should be limited in scope and complexity and should focus primarily on determining the service quality of the instant contract.

The Regional Contracts Department should implement an automated customer service tracking program such as "support magic," the software program currently utilized by the customer service department at FISC San Diego. This software would allow the department to effectively track and respond to all customer complaints.

The Regional Contracts Department should consider utilizing mobile communication technology to facilitate the accessibility of contracting personnel. A common complaint from customers is that they always get "voice mail" instead of the person they are calling. Mobile communication technology such as pagers or cellular phones are tools that could facilitate accessibility. Key individuals, such as PCO's, could be issued these tools.

Recommendation number three:

FISC San Diego Regional Contracts Department should implement a customer service training program. This training program should provide contracting personnel with the tools to provide enhanced service. Topics should include interpersonal skills, telephone techniques, conflict resolution techniques, listening skills, ways to serve difficult

customers and other topics as appropriate. The training should also explore the use of customer service teams to develop stronger customer relationships.

There are different ways a customer service training program could be implemented. The training can be developed internally and administered by either FISC Regional Contracts personnel or FISC training personnel. Another option is to hire a professional training consultant to conduct the training on site. A final option would be to send designated personnel to a training site to obtain training skills. This is the "train the trainer" approach. The Disney Institute provides this kind of training. Ms. Lizette Blais of the Disney Institute can provide information on these programs and can be reached at (407) 828 - 4411.

As a side note, customer service training for contracting personnel should be included under the requirements of the Defense Acquisition Workforce Improvement Act. Currently, the Defense Acquisition University does not include customer service training in its curriculum. Inclusion of customer service training within the formal acquisition workforce education curriculum may open the door for additional training resources.

Recommendation number four:

The Regional Contracts Department is well structured to provide outstanding service quality. The customer team organization provides the greatest opportunity for developing customer and provider relationships. All things equal, solid relationships are the best guarantee of long term customer satisfaction. Each customer team should establish frequent communication with their customers and when possible, they should periodically visit with their customers.

### **C. LIMITATIONS OF STUDY**

This research effort was limited to an assessment of the FISC San Diego Regional Contracts Department. The research indicates some general concepts that can be applied

throughout the entire Navy Field Contracting System. The research also reveals some information that is specific only to the FISC San Diego Regional Contracts Department. Discretion is necessary when extrapolating the results of this research to address the entire Navy Field Contracting System. It is hoped that this research can be utilized by FISC San Diego and other field contracting activities to assist them with their service quality journey.

#### **D. SUGGESTIONS FOR FURTHER RESEARCH**

This thesis provides a strategic approach to developing enhanced customer service. A follow-on research effort could focus on customer perceptions of service quality provided by the FISC San Diego Regional Contracts Department. This follow-on research effort could assist the Regional Contracts Department with the tailoring of their customer feedback tools and could help them interpret customer feedback.





## **APPENDIX A**

### **INTERVIEWS WITH FISC SAN DIEGO PERSONNEL**

#### **A. INTERVIEW WITH THE DIRECTOR, REGIONAL CONTRACTS, FLEET AND INDUSTRIAL SUPPLY CENTER SAN DIEGO**

##### **Question 1: Who are your organization's customers?**

The Regional Contracts Department of FISC San Diego has numerous customers (over 500), but most of the work is concentrated with a handful of key customers. These organizations include FISC "partners." A partner organization is one that used to perform field contracting in house but now has this function performed by FISC San Diego. FISC's customers are primarily ones within the Southwestern United States. The Department is mission funded to provide contracting services to these customers. FISC also has some nationwide customers such as the Defense Finance and Accounting Service (DFAS).

FISC has numerous regional customers including; the Naval Aviation Depot (NADEP) North Island California, Shore Intermediate Maintenance Activity (SIMA) San Diego California, SIMA Ingelside Texas, Naval Submarine Base San Diego, Naval Amphibious Base San Diego, Naval Weapon Station Seal Beach California, Naval Construction Battalion Port Hueneme California, Fleet Training Center Pacific (San Diego), and Naval Station San Diego. Other divisions of FISC San Diego also receive service from the Regional Contracts Department.

##### **Question 2: What services does your organization provide to customers?**

The Regional Contracts Department provides both large and small contracting services. Large contracts are those with a dollar threshold exceeding \$100,000. They also have a group that provides contracting related training and assessment. This group is called the procurement management review (PMR) group. Last year FISC processed over 46,000 contract actions for a total of \$600 million. Of this \$160 million was under the

\$100,000 threshold. One of FISC's "core competencies" is engineering services contracts. They also negotiate indefinite delivery/indefinite quantity contracts which can be either for supplies or services. Another important service they provide the customer is "up front" acquisition planning. They will actually help the customer define their requirements and assist them in developing a statement of work, for example.

**Question 3: How are you designed to offer customer service?**

There are approximately 165 people within the Regional Contracts Department. This includes personnel at FISC San Diego headquarters and at other regional partner sights. The Regional Contracts Department is organized into teams that consist of a Procuring Contracting Officer (PCO), two or more negotiators (pre-contract award), two or more contract administrators and an administrative assistant. To provide a customer service focus, they are utilizing customer service performance as a performance evaluation criteria for all contracting personnel.

The budget is developed utilizing a concept known as "productive unit resourcing." This system assigns end strength and develops a budget based on contract actions. In the area of programs, they utilize customer service meetings to discuss service issues. There is no formal customer service training program, nor have contracting personnel ever received specialized training in customer service.

**Question 4: How do you collect information on your customers?**

Information is collected on customers by utilizing quarterly surveys, phone calls and site visits. FISC's customer service code (code 100) is currently implementing a software program called "support magic". This system will allow FISC to track customer feedback, including complaints.

**Question 5: How do you resolve complaints and bad service incidents?**

Complaints or other difficult problems are usually resolved at the PCO level, or in the case of the small contracts division, at the Officer-in-Charge level. They try to encourage problem solving at the lowest level possible.

**Question 6: Provide some examples of customer service.**

The recent emphasis on providing the customer "up front" assistance with requirements definition is seen as a example of good customer service. Other examples include the use of multiple task order contracts such as those used with household good moves. Recently household goods contracts are placing a heavy emphasis in contractor past performance to determine future awards. This is improving the quality of household good moves.

PCO's are beginning to utilize many new and innovative contracting techniques as a result of recent acquisition reform. For example, FISC recently awarded a \$48 million indefinite quantity contract (this includes two option years) to a company called "corporate express" to provide office supply delivery to fleet and shore customers. What is new about this contract is that it utilized oral/technical proposals rather than the traditional written proposals. This process resulted in a marked reduction in procurement lead time. Offerors were required to provide an oral presentation of their proposal, including view slides.

Examples of bad customer service included problems with the accuracy and quality of contract distribution (these are the copies of the completed contract that are sent to the customer). On rare occasions a contract renewal will slip through the cracks. For example, the Defense Distribution Regions' contract for forklift propane was accidentally not renewed on time.

A common complaint of many customers is the inability to reach contracting personnel in person on the phone. Many customers do not like to utilize voice mail and instead want a live person. This is a dilemma for the Regional Contracts Department

because many times the customer wants information that only the PCO can provide, but it would not make sense to have the PCO's staff the phones 24 hours a day. FISC is still trying to resolve this issue of quick accessibility to individual contracting personnel.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The Director graded the department at 3.5 and indicated that as a whole, they are providing good customer service but that there is room for improvement. He indicated that they are on the right track. They are talking to their key customers on a regular basis, meeting with them and developing strong relationships. He indicated that more customer service tools are still needed such as "support magic" software to track customers.

## **B. INTERVIEW WITH THE TECHNICAL DIRECTOR, REGIONAL CONTRACTS, FLEET AND INDUSTRIAL SUPPLY CENTER SAN DIEGO**

**Question 1: Who are your organization's customers?**

The Technical Director characterized customers as both internal and external. Internal customers are the various PCO's within the Department and external customers are the requiring activities and partners of FISC San Diego. The Regional Contracts Department is beginning to develop strong relationships with FISC partners early in the contracting process. This has not always been the case. For years, the Regional Contracts Department was a stand alone command known as the Naval Regional Contracts Center (NRCC). A few years back the NRCC merged with FISC. In the early stages of this merger, communication between the FISC, its partners and the Regional Contracts Department was weak. Today the lines of communication are greatly improved.

**Question 2: What services does your organization provide to customers?**

Services used to be exclusively contracting, but this has changed recently. Today the department also assists the customer in the requirements definition stage of the

contracting process. This process is really a team effort between the customer and the contracting personnel.

**Question 3: How are you designed to offer customer service?**

The Regional Contracts Department is subdivided by large and small contracts. The large contracts section (Code 210) is organized into 5 teams. Each team focuses on a group of customers. For example, one PCO has the Naval Aviation Depot, North Island and Naval Air Forces Pacific. Another has the Defense Finance and Accounting Service and the Naval Communications Station. One PCO has the FISC itself, the Fleet Training Center Pacific and the Naval Shipyard. Another PCO is responsible for all outsourcing requirements. The procurement management review team provides training services.

The department is weak in customer service training. There has been no formal customer service training for Code 210 (large contracts).

**Question 4: How do you collect information on your customers?**

Customers are surveyed on a quarterly basis utilizing a format provided by the Naval Supply Systems Command. Surveys in various forms have been in use since around 1990. In the early days, surveys were forwarded with each completed contract. These surveys had a response rate between 28-30% and were generally ranked above satisfactory. When the NRCC merged with FISC San Diego, the surveys were stopped. FISC San Diego was already utilizing a consolidated customer service survey. In the last year we started the NAVSUP directed, quarterly surveys.

**Question 5: How do you resolve complaints and bad service incidents?**

Most complaints are simply misunderstandings between contracting personnel and the customer. These are usually resolved at the PCO level and normally with a phone call.

**Question 6: Provide some examples of customer service.**

The indefinite delivery contract with "Corporate Express" is an example of good customer service. This streamlined contract process resulted in at least a three month time

savings. There were two primary reasons for this, one was the use of oral proposals and the other was awarding on initial offers. Another example of good customer service is the recent help that the large contracts section provided to the small contracts section when the USS CONSTELLATION was preparing to deploy. Normally this customer is served by the small contracts division. The large contracts personnel were able to assist in the pre-deployment workload surge for CONSTELLATION.

An example of bad customer service would be when a customer recently requested that a line of accounting data be modified in a certain way. The request could not be completed because of limitations with the automated accounting process. The customer was not happy with this inability to deviate from established policy.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The Technical Director graded their customer service performance between 3 and 3.5. She indicated that they do fairly well, but they have room for improvement. She indicated that contracting personnel need customer service training.

### **C. INTERVIEW WITH THE POLICY DIRECTOR, REGIONAL CONTRACTS, FLEET AND INDUSTRIAL SUPPLY CENTER SAN DIEGO**

**Question 1: Who are your organization's customers?**

The Policy Director viewed her customers as the PCO's and negotiators of the department. She viewed her role as primarily that of an internal customer service provider.

**Question 2: What services does your organization provide to customers?**

The Policy Director listed numerous tools that she provided to assist the PCO's and negotiators. Some of these tools are desktop guides, the Defense Acquisition Deskbook, and access to various Federal Government, DLA, Army, Air Force and Navy Acquisition related resources.

**Question 3: How are you designed to offer customer service?**

The large contracts division has seen significant down sizing in recent years (approximately 30%). The organization is lean because of cutbacks. This presents an added challenge in delivering customer service.

The Policy Director indicated that she has received training in Total Quality Leadership. She utilizes this knowledge to train others in the division. She is also responsible for tracking the training requirements of all contracting personnel, including those required by the Defense Acquisition Workforce Improvement Act (DAWIA). She also coordinates training stand downs.

**Question 4: How do you collect information on your customers?**

Since the Policy Director is primarily an internal service provider, she is able to gather information utilizing numerous communication channels. She is in a position that allows for frequent contact with contracting personnel. One form of contact with customers is during the contract review board process. This is a board composed of the senior leadership of the Regional Contracts Department. The purpose of the board is to conduct quality reviews of pending contracts. The Policy Director indicated that she rarely receives complaints from contracting personnel.

**Question 5: How do you resolve complaints and bad service incidents?**

Complaints are resolved by utilizing direct communication. For example when the procedures were changed for processing Commerce Business Daily synopsis' some personnel complained until they were provided training.

**Question 6: Provide some examples of customer service.**

The Policy Director cited the various training tools as examples of good internal customer service. She emphasized that good internal customer service meant being proactive and anticipating internal needs.



**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The Policy Director graded the organization a 4.8. She believes that the contracting work force is dedicated to providing outstanding customer service.

**D. INTERVIEW WITH THE PROCURING CONTRACTING OFFICER FOR THE DEFENSE FINANCE AND ACCOUNTING SERVICE CUSTOMER TEAM**

**Question 1: Who are your organization's customers?**

The PCO for this team listed some of her customers, including her largest customer, the Defense Finance and Accounting Service. DFAS has seven major centers and 21 operating locations. She also serves the Public Works Department San Diego, NAS Fallon Nevada, and the MCAS Miramar Brig. She also has numerous other customers as assigned.

**Question 2: What services does your organization provide to customers?**

Services include contract award and administration. The team also assists customers with the requirements definition stage of the contracting process.

**Question 3: How are you designed to offer customer service?**

The large contracts division is composed of four contracting teams. These teams are organized around major customers. Contracting personnel on these teams consist of pre-award and post-award specialists. There is a move to develop this into a single specialty. The budget is not developed at the PCO level. The team receives a budget from the front office (the Director). PCO's do provide budget input during the budget formulation process. There is no specific budget for travel funds to visit customers. If a customer is in the local area (San Diego), they are visited on a regular basis. If the customer is outside the

local area, they will need to provide travel funding or visit us. The PMR group is funded for travel, however. This is because their mission is to provide training in the field. The team receives training from the PMR group and the Policy Director.

**Question 4: How do you collect information on your customers?**

Customer information is collected utilizing a quarterly survey. In the past, surveys were sent out with each signed contract. This survey did not capture any post-award activity. This team still forwards surveys with each contract on occasion. Other forms of communication include the phone and e-mail.

**Question 5: How do you resolve complaints and bad service incidents?**

Complaint resolution is very specific to the actual complaint. Most complaints concern cycle time. Customers complain that the process is too long. Generally, the more complex the requirement, the longer the procurement lead time. The short term solution requires moving the workload internally and re-prioritizing the workload.

The team should be moving faster considering recent acquisition streamlining, but it is still moving slower in some situations. This seems to be a learning curve problem as contracting personnel become more familiar with new processes, and tools. Some recent changes have also caused some confusion. For example, telephone services are now considered a commodity instead of a utility. This changes the way that they are contracted for. Another example concerns the contracting for Emission Reduction Certificates. These are essentially pollution permits that have market value and can be bought and sold. There was difficulty in defining whether these are services or supplies. The distinction affects the terms and conditions of the contract.

**Question 6: Provide some examples of customer service.**

DFAS was very satisfied with a recent multiple award contract we completed for them. The contract included 30 day delivery time frames and also helped DFAS identify cost savings.

An example of where we need to improve is the contract for telephone services at NAS Fallon Nevada. The Navy's Top Gun School recently moved to Fallon from NAS Miramar California and the base need additional telephone infrastructure to accommodate the new squadrons. Procedurally the contracting process was performed by the book, the problem was the customer was not really happy with the final product. The customer really wanted a digital system that the local telephone utility could not provide at a price the customer could afford. Ultimately local politics played a big role in keeping the local utility on the job even though the work was really beyond their capacity. The customer was very frustrated with the system more than anything.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The PCO assigned a grade of 3.75. She identified the need to improve lead times and believes that the team is committed to doing this.

#### **E. INTERVIEW WITH THE PROCURING CONTRACTING OFFICER FOR THE FLEET AND INDUSTRIAL SUPPLY CENTER CUSTOMER TEAM**

**Question 1: Who are your organization's customers?**

Customers include other FISC divisions, Navy ships for habitability work, Naval construction battalions. The team works on husbandry contracts for ships making port visits in Mexico. All mess attendant contracts for base galleys are processed by the team. Other customers are assigned as needed.

**Question 2: What services does your organization provide to customers?**

Services include contracts and requirements planning. Many customers call for expert advice in developing requirements and the statement of work. There is a wealth of

experience and knowledge available from the contracting personnel on the team. The team is committed to customer service.

**Question 3: How are you designed to offer customer service?**

All contracting personnel are organized into teams that are structured according to our customer base. The budget is limited for travel and other customer service support. The team does train customers on the acquisition process. The team has not received any formal customer service training.

**Question 4: How do you collect information on your customers?**

The Division used to utilize a survey for every contract action. This should probably be reintroduced. One dilemma with the survey is that there is often inconsistency with the management level that completes the survey. Some customers have junior enlisted personnel complete the survey, while others have a senior officer complete the survey. In some cases it is probably necessary to send surveys to more than one person in the command.

**Question 5: How do you resolve complaints and bad service incidents?**

Most complaints are with the system in general. People are frustrated when the system delays the acquisition process. Contractors often complain that they are not getting paid in a timely manner. The team will assist contractors to get paid by DFAS. Every problem is resolved on a case by case basis.

**Question 6: Provide some examples of customer service.**

The innovative contract with "Corporate Express" for office supplies is an example of good customer service. The contract saved numerous months of preparation and negotiation time.

Sometimes things don't work out as planned. In these cases it is imperative for the contractor and the team members to work out the problem together. Recently FISC looked at contracting out the compressed bottle yard. An analysis of costs determined that

outsourcing would be more expensive. This may actually be at odds with the desires of the customer.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The PCO assigned a grade of 4. There is room for improvement. For example, there needs to be improvements in infrastructure such as the phone system.

#### **F. INTERVIEW WITH THE CONTRACT NEGOTIATOR FOR THE FLEET AND INDUSTRIAL SUPPLY CENTER CUSTOMER TEAM**

**Question 1: Who are your organization's customers?**

Customers include FISC, the Special Warfare Group, Naval Bases, the Naval Hospital at Balboa, Public Works, SIMA, NADEP and other miscellaneous customers as assigned. DFAS is an internal customer because they pay our vendors.

**Question 2: What services does your organization provide to customers?**

Services include all aspects of large contracts. This includes helping the customer with requirements definition, the statement of work, justification and approvals and the actual contract.

**Question 3: How are you designed to offer customer service?**

The large contracts division is organized into four teams. Each team is headed by a PCO. A typical team has four negotiators (pre-award), two contract administrators (post-award) and one administrative assistant. There are also staff that place delivery orders.

There is no formal customer service training conducted in the division. There is informal training by management regarding team member service expectations. Teams are actively involved in training customers to guide them through the pre-award process.

**Question 4: How do you collect information on your customers?**

The negotiator believed that surveys were conducted on a quarterly basis. In the past surveys were sent out with each signed contract. Every time the negotiator receives a Form 2276 (procurement request from the customer), she calls the customer to introduce herself and provide introductory information to guide the customer through the process. Complaints are usually received by telephone or during a survey. Usually customers complain about the process and not any particular individual.

**Question 5: How do you resolve complaints and bad service incidents?**

There is no formal process in place to resolve complaints. Each complaint is looked at on a case by case basis and handled individually. If the problem is minor and it is legally permissible, the problem is usually resolved at the lowest level possible. Customer satisfaction is a high priority at FISC San Diego, and they don't want to get a bad report card from the customer.

**Question 6: Provide some examples of customer service.**

The team is getting a jump start on the procurement process by getting involved early. The team helps the customer with the development of requirements and works with the customer to write any required justifications and approvals. The team will often help customers gather information on requirements and provide advice based on years of experience. There is a wealth of knowledge in the large contracts division. The contract with "Corporate Express" for office supplies is an example of acquisition streamlining at work. Reducing lead time keeps customers happy.

In the past the policy was to reject any requirement with errors or that was missing information. This is no longer the case. The team goes out of its way to collect the required information from the customer and push the procurement on through. The team still needs to improve by being more pro-active in educating the customer about the process.

It is important to realize that the contractor is very much a customer. Many contractors, especially small companies, will simply refuse to do business with the Government if the process is too cumbersome. For example, during the Gulf War there were only two sources of supply for CBR (chemical, biological and radiation) suits. One source was a small business that did not want to work with the Government anymore because of bad experiences getting paid in a timely manner.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The negotiator assigned a grade of 4.

#### **G. INTERVIEW WITH THE DIRECTOR, SMALL CONTRACTS DIVISION, FLEET AND INDUSTRIAL SUPPLY CENTER SAN DIEGO**

**Question 1: Who are your organization's customers?**

The customer base has expanded dramatically in recent times. FISC San Diego has numerous partners such as the Construction Battalion at Port Hueneme; the NADEP; the Submarine Base; the Naval Hospital; Morale, Welfare and Recreation; and the Fleet Training Center Pacific to name a few.

There are now numerous personnel that are located outside of the San Diego office. This presents a leadership challenge since these personnel are really internal customers and have service needs.

**Question 2: What services does your organization provide to customers?**

The small contracts division provides buying services for requirements that are \$100 thousand or less. There are four designated buyers that concentrate on requirements over \$25 thousand. The division also provides contract administrative services, technical support and training. The division has two naval architects that provide technical assistance to ships that are undergoing habitability work. The Corona California site has very

knowledgeable buyers. They can basically write a statement of work with very little assistance from the customer.

In some cases, the division is holding purchase cards for smaller activities. This means that our division will perform most of the administrative functions surrounding the use of the card. The purchase card can be utilized for micro-purchases (under \$2,500). The division is holding the card for some mine sweepers that are based out of Ingleside, Texas.

**Question 3: How are you designed to offer customer service?**

The division is structured into teams. The buyers are multi-faceted. They usually start out as procurement technicians and then move up later to be buyers. Buyers are assisted by clerks. Procurement technicians are usually prior service and have a good understanding of customer requirements.

If a customer calls with a question, the call first goes to FISC's newly established Customer Information Center (CIC). This is a central point of information for the customer regarding the status of requirements. CIC monitors incoming calls utilizing a software program called "support magic." This program tracks calls and monitors wait times.

There is some customer service training conducted for supervisors. A recent Inspector General inspection noted that the division is customer focused, so the message of customer service appears to be getting through.

**Question 4: How do you collect information on your customers?**

Every quarter our top ten customers are surveyed. Information is also collected utilizing SALTS, e-mail, telephone and IG surveys. The Director will also visit customers to collect information.

**Question 5: How do you resolve complaints and bad service incidents?**

Complaints are resolved at the lowest level possible. If necessary, supervisors get involved. Sometimes military customers want to talk only to a military counterpart.



**Question 6: Provide some examples of customer service.**

Good examples include the times when buyers work pro-actively and contact the customer early in the process. Most buyers are willing to “walk the gray line” and look for reasons to say “yes” rather than utilizing the regulations to conveniently say “no.”

On the bad side, the division still experiences times when they lose documents. Document distribution can stand some improvement. Other times buyers do not meet the expectations of the customer. They may make a promise they can’t keep. Buyers need to be realistic with customers and set achievable goals such as accurate delivery dates. Some buyers need to improve on telephone etiquette.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization’s customer service performance?**

There is room for improvement for some of our partners, but overall the division is doing well. Grade of 4.

**H. INTERVIEW WITH THE SUPERVISOR, SMALL CONTRACTS DIVISION, FLEET AND INDUSTRIAL SUPPLY CENTER SAN DIEGO**

**Question 1: Who are your organization’s customers?**

Customers include the fleet units (ships) at the Naval Station San Diego. There are also many shore customers including FISC and the naval hospitals at Balboa and Camp Pendleton. The small purchase site at NAS North Island serves the aircraft carriers.

**Question 2: What services does your organization provide to customers?**

The small contracts division procures numerous supplies and services such as ADP, habitability services and maintenance contracts. Naval architects assist customers with habitability requirements. The architects can enforce contractor performance by inspecting work in-progress. They can also help with requirements definition and help draft habitability documentation.

**Question 3: How are you designed to offer customer service?**

The division conducts periodic customer service training. There has not been training recently though. The division tries to project a positive image. People are reminded to smile and to look for ways to say "yes" to the customer. The division prepares "procurement tips" that assist the customer in preparing requirements. The division will periodically send personnel to the training division within code 100 (customer service) for customer service related training. The training division has classes and video training tools. The supervisor is not involved in the budget process.

**Question 4: How do you collect information on your customers?**

Surveys are conducted by code 100 and 200. The division will sometimes receive "Bravo Zulus" from the fleet (thank you messages). The division also receives letters (both good and bad).

**Question 5: How do you resolve complaints and bad service incidents?**

The supervisor never receives complaints concerning individual buyers. Complaints are resolved at the lowest level possible, usually the buyer level or at the supervisor level if necessary. Sometimes customers are visited, such as the Balboa Naval Hospital.

**Question 6: Provide some examples of customer service.**

Recently a buyer saved a ship over \$20 thousand on an order of fruit juice for the galley. The buyer actively looked for other sources of supply and identified a cheaper one that provided good quality.

On a bad note, a buyer recently performed a habitability contract modification without getting a funding increase from the customer (a ship). The customer was out to sea and the buyer did not attempt to communicate with the ship. Usually modifications like this turn out fine, but this time it back-fired on the buyer since the customer did not have the funds available.

**Question 7: On a scale of 1 to 5 (5 being outstanding, 1 poor), what grade would you assign to your organization's customer service performance?**

The small purchase team is doing a good job, grade of 5. This is for small purchase greater than \$2,500. The micro-purchase division that is now under code 100 (customer service) is not this high.

## APPENDIX B

### SURVEY TO MEASURE SERVICE DIMENSIONS (Adapted from SERVQUAL)[Ref. 1: pp.181-183]

<u>Tangibles</u>	<u>What you expect</u>					<u>How we are</u>				
	Strongly Disagree			Strongly Agree		Strongly Disagree			Strongly Agree	
	1	2	3	4	5	1	2	3	4	5
1. FISC SD Regional Contracts has modern looking equipment.										
2. FISC SD Regional Contracts has clean and appealing facilities.	1	2	3	4	5	1	2	3	4	5
3. FISC SD Regional Contracts has neat-appearing employees.	1	2	3	4	5	1	2	3	4	5
4. FISC SD Regional Contracts utilizes visually appealing pamphlets and memos to assist you with the contracting process.	1	2	3	4	5	1	2	3	4	5
<u>Reliability</u>										
5. When FISC SD Regional Contracts promises to do something by a certain date, they do so.	1	2	3	4	5	1	2	3	4	5
6. When a customer has a problem, FISC SD Regional Contracts is sincere in its effort to solve it.	1	2	3	4	5	1	2	3	4	5
7. FISC SD Regional Contracts performs services right the first time.	1	2	3	4	5	1	2	3	4	5
8. FISC SD Regional Contracts provides their services at the time promised.	1	2	3	4	5	1	2	3	4	5
9. FISC SD Regional Contracts insists on error free contracts and documentation.	1	2	3	4	5	1	2	3	4	5
<u>Responsiveness</u>										
10. FISC SD Regional Contracts personnel tell the customer exactly when services will be performed.	1	2	3	4	5	1	2	3	4	5
11. FISC SD Regional Contracts personnel give prompt service to customers.	1	2	3	4	5	1	2	3	4	5
12. FISC SD Regional Contracts personnel are always willing to help customers.	1	2	3	4	5	1	2	3	4	5

	<u>What you expect</u>					<u>How we are</u>				
	Strongly Disagree				Strongly Agree	Strongly Disagree				Strongly Agree
13. FISC SD Regional Contracts personnel are never too busy to respond to customer requests.	1	2	3	4	5	1	2	3	4	5
<b><u>Assurance</u></b>										
14. The behavior of FISC SD Regional Contracts personnel instills confidence in customers.	1	2	3	4	5	1	2	3	4	5
15. FISC SD Regional Contracts customers receive value in their transactions.	1	2	3	4	5	1	2	3	4	5
16. FISC SD Regional Contracts personnel are consistently courteous with customers.	1	2	3	4	5	1	2	3	4	5
17. FISC SD Regional Contracts personnel have the knowledge to answer customer questions.	1	2	3	4	5	1	2	3	4	5
<b><u>Empathy</u></b>										
18. FISC SD Regional Contracts gives customers individual attention.	1	2	3	4	5	1	2	3	4	5
19. FISC SD Regional Contracts has operating hours convenient to all customers.	1	2	3	4	5	1	2	3	4	5
20. FISC SD Regional Contracts has personnel that give customers personal attention.	1	2	3	4	5	1	2	3	4	5
21. FISC SD Regional Contracts has the customer's best interests at heart.	1	2	3	4	5	1	2	3	4	5
22. FISC SD Regional Contracts personnel understand the specific needs of their customers.	1	2	3	4	5	1	2	3	4	5

### **SERVICE DIMENSION WEIGHT FACTORS** [Ref. 1: p. 184]

The following five statements represent the five service quality dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Respondents are to assign a total of 100 points across all the statements based on their relative importance. The most important dimension should receive the most points, the second the second largest amount etc. until the total of 100 is reached. Weight factors are then calculated by dividing each individual score by 100.

- |   |                   |
|---|-------------------|
| 1. Appearance of FISC SD Regional Contract's facilities, equipment, communication materials and people.                 | _____ points      |
| 2. FISC SD Regional Contract's ability to perform the promised service dependably and accurately.                       | _____ points      |
| 3. FISC SD Regional Contract's willingness to help customers and provide prompt service.                                | _____ points      |
| 4. The knowledge and courtesy of FISC SD Regional Contracts personnel and their ability to convey trust and confidence. | _____ points      |
| 5. The caring, individualized attention that FISC SD Regional Contracts provides its customers.                         | _____ points      |
| <b>Total Allocation</b>   | <b>100 points</b> |

### **METRICS** [Ref. 1: pp. 176-177]

For each question 1-22 calculate the difference between the perception score (how we are) and the expectation score (what you expect).

**Individual question score = perception score - expectation score**

The next step is to calculate the service quality along each of the five dimensions by averaging their individual question score across all customers. For N number of surveys the steps are follows:

1. For each customer add the individual question scores that pertain to each dimension (ex. questions 1-4 pertain to tangibles) and divide the sum by the number of statements making up the dimension.
2. Add the quantity obtained in step 1 across all N customers and divide the total by N.

The scores for the five dimensions obtained from the preceding steps can also be summed across the total number of customers to develop an *unweighted* score for the individual dimensions. The score is unweighted because there is no consideration for the relative preferences for each dimension.

To determine a *weighted* score utilize the following steps:

1. For each customer, compute the average individual question score for each of the five dimensions. (same as step one earlier).
2. For each customer, multiply the individual question score for each dimension (from step one) by the service dimension weight factor assigned by the customer.
3. For each customer, add the weighted individual question scores across all five dimensions to obtain a combined score.
4. Add the scores obtained in step three across all N customers and divide by N.

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...and ... ..

## **LIST OF INTERVIEWS**

1. Interview of February 25, 1997 with Ms. Lizette Blais of the Disney Institute.
2. Interview of March 3, 1997 with Mr. Jerry Gass of United Services Automobile Association.
3. Interview of March 7, 1997 with Mr. Jeff Canty of Saturn Corporation.
4. Interview of March 25, 1997 with the Director, Regional Contracts Department, Fleet and Industrial Supply Center San Diego.
5. Interview of March 26, 1997 with the Technical Director, Regional Contracts Department, Fleet and Industrial Supply Center San Diego.
6. Interview of March 25, 1997 with the Policy Director, Regional Contracts Department, Fleet and Industrial Supply Center San Diego.
7. Interview of March 25, 1997 with the Procuring Contracting Officer for the Defense Finance and Accounting Service customer team.
8. Interview of March 26, 1997 with the Procuring Contracting Officer for the Fleet and Industrial Supply Center customer team.
9. Interview of March 26, 1997 with the Negotiator for the Fleet and Industrial Supply Center customer team.
10. Interview of March 26, 1997 with the Director of the Small Contracts Division, Fleet and Industrial Supply Center San Diego .
11. Interview of March 26, 1997 with the Supervisor of the Small Contracts Division, Fleet and Industrial Supply Center San Diego.

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